

## **Assess the main causes of unemployment**

Unemployment is described as someone who has been in previous employment but he/she has lost their job due to various factors, which will be assessed within this essay. Unemployment is not to be confused with workless households – a workless household is one where all occupants choose not to work or physically can't work because of disability. Also, the occupants within a workless household would be receiving benefits, such as Income Support. Unemployment has risen very sharply over the past twenty years for two main reasons. Partly it is because of technological changes which have caused structural change in the economy and also because of the change in Government policies. Although structural changes and Government policies are primary factors which have caused unemployment, there are also secondary factors which have added to the rate of unemployment and these are age and education. Within this essay, all of the above factors and causes of unemployment such as structural change, Government policy, age and education will be assessed.

One of the primary factors which has caused unemployment is structural change, this was when employment shifted between the three business sectors – primary industry, manufacturing and the service sector. Throughout the 1980s and into the 1990s high unemployment was caused by the closure of heavy industries and also by the high inflation rates which caused businesses either to go out of business or forced them to make cut-downs on employees. In 1986, unemployment was at an all time peak with 3.3 million people being unemployed and this was because heavy industries were in their final phase of shutdown and many people within these traditional industries became unemployed and had no transferable skills and therefore became the long-term unemployed. A second primary factor which has caused unemployment is the change in Government policy. In the 1980s the Government decided to tighten their spending power in order to try and control

inflation; so they stopped using their money to maintain industries that didn't make a profit – this meant, many places closed down – causing more unemployment. The Government also introduced nationalisation which was when the Government sold shares from their private companies to the public, such as BT and the Water-board. This process was otherwise known as nationalisation. In the mid 1980s it looked as though unemployment was decreasing but an economic recession due to the collapse of the pound increased it again. In 1992, the UK came out of the recession and unemployment began to fall but the structure of the economy had changed radically.

Another factor as to why people find themselves living below the breadline is due to the low paid jobs many previously unemployed people find and therefore people who are constantly in and out of employment will find it harder to achieve a higher standard of living. People who are classed as living in workless households have an extremely low income, with Government benefits keeping them afloat. This group has found themselves in a cycle of low income which they rarely can break free from. In 1996, only 1% of people returning to the workplace were earning £251-260 per week and a large 7.2% were only earning £51-60 per week and 5% were only earning a very low £0-20 per week, showing that sometimes staying unemployed can mean a larger income gained from benefits compared to the low rate of wages which could be received in employment. In 1979, 1.7 million people living in workless households had below half the average income and by 1994/95 this had raised to 2.8 million; this is a massive increase in twenty-five years of 1.1 million people living with a low standard of living with many experiencing some form of poverty.

Secondary factors which have led to unemployment are such things as age and education. Even though secondary factors are easier to control, they still cause problems. Firstly, within the age group of 16-21 year olds, they are more likely to

be unemployed, unqualified and untrained if they were school leavers at sixteen; also, if they are employed they are more likely to earn less because there is no minimum wage for sixteen and seventeen year olds. Within this age group of 16-21 year olds who were school leavers at the age of sixteen; the young men are more likely to have a criminal record; young women are four times more likely to be responsible for bringing up young children and young African-Caribbean, Pakistani and Bangladeshi people are more likely to be non-participants in full-time education, training or work – compared to White and Indian people. All of the above situations which young people can face are barriers to employment. The other group of people who can find it hard to find new employment if they become unemployed is older people, usually over fifty. This is because many people within this age group left school at an early age to seek employment in traditional industries and had no qualifications, so as these traditional industries closed down this age group found themselves unemployed and struggling to find new employment because of their lack of qualifications and transferable skills. People over the age of fifty spend twice as long on the unemployment register, compared to those aged below twenty-five. Also, if they do find a job it is usually lower paid compared to their last job so they could experience a lower standard of living than they are used to.

Another secondary factor is unemployment and education. To a certain degree, factors within unemployment and age resemble those within unemployment and education because the people within older generations who left school with no qualifications now find themselves driven into unemployment because of the changes in technology and the declined traditional industries. Due to official figures it has become clear that there is a direct relationship between the level of education and being in work. In 1997, approximately 90% of people with degrees or vocational qualification were employed and only 50% of those with no qualification had a job. Now-a-days, it is cheaper to export low-skilled jobs to

developing countries so low-skilled people within the UK are missing out on employment opportunities. There is also the case of being over-qualified within today's workplace. An example of this is between 1979 and 1996 employment for those with a degree had decreased by 1%, however, those with a higher education's employment rate had risen by 3%. This is because some employers only employ people who can do the job well, they do not want to employ the people who have degrees and could do the job very well because then they would have to pay them more!

Therefore, to assess the main causes of unemployment the primary factors of structural changes within the industries and the changes in Government policies were explored as they have caused a large increase in the rate of unemployment because of the closure of traditional industries and inflation rates rising. Also, the secondary factors of age and education add to the rate of unemployment mainly because of the lack of education within the young age groups and then the older age groups and also the idea of being over-qualified for a job. Lastly, the rate of unemployment has increased because the higher amount of people living within workless households these days and who can find it harder to find long-term employment or even any type of employment with a high enough wage to help increase their standard of living and stop them from living with poverty.